## LEGISLATIVE SERVICES AGENCY OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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## FISCAL IMPACT STATEMENT

LS 7277 NOTE PREPARED: Jan 10, 2005

BILL NUMBER: SB 412 BILL AMENDED:

**SUBJECT:** Deduction for agriculture security improvements.

FIRST AUTHOR: Sen. Heinold BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL IMPACT: State & Local

X DEDICATED FEDERAL

<u>Summary of Legislation:</u> This bill provides a property tax deduction for improvements to enhance site security made by a taxpayer who is subject to certain rules concerning the storage of fertilizer or pesticide.

Effective Date: July 1, 2005.

**Explanation of State Expenditures:** *DLGF*. To obtain the deduction, a person must file a certified statement on forms prescribed by the Department of Local Government Finance (DLGF). The DLGF should be able to provide forms given its existing budget and resources.

State Chemist's Office. This bill provides a property tax deduction for improvements made to enhance site security made by a taxpayer who is subject to certain rules concerning the storage of fertilizer or pesticide. Individuals who comply receive a certificate of compliance. According to the State Chemist's Office, since 1992, approximately 150 certificates have been issued. In 2004, two were issued. The bill could result in increased demand for the certificates; however, the State Chemist's Office should be able to process any new certificates with existing staff.

**Explanation of State Revenues:** State Property Tax. The proposal could result in additional property tax deductions. Property tax deductions exclude property from the property tax base. The state levies a small tax rate for the State Fair and State Forestry that applies to all AV. If property is not a part of the tax base, the state can not assess this tax on the property. Any decrease in the AV base as a result of deductions reduces the property tax revenue collected for these two funds.

SB 412+ 1

**Explanation of Local Expenditures:** To obtain the deduction, a person must file a certified statement in duplicate, on forms prescribed by the DLGF, with the auditor of the county in which the property is subject to assessment. The statement must be filed before May 10 of the year preceding the year the deduction will first be applied. Upon the verification of the statement by the assessor of the township in which the property is subject to assessment, the county auditor must allow the deduction. These provisions will increase administrative expenses for the township and the county. It is presumed that the local units will be able to absorb any additional expense given their existing budgets and resources.

**Explanation of Local Revenues:** The bill provides that a person is entitled to a deduction from the assessed value (AV) of the person's property in an amount equal to the difference between the AV of the property, including the AV of the improvements made to enhance site security; minus the AV of the person's property, excluding the AV of the improvements made to enhance site security.

The following are considered improvements to enhance site security:

- (1) The erection of a fence.
- (2) The installation of exterior lighting, cameras, or alarm systems.
- (3) The addition of an additive to a chemical designed to deter the theft of the chemical.

This bill applies to property taxes first due and payable after December 31, 2006.

The above proposal may result in an increase in deductions claimed. Additional deductions reduce the AV tax base. This reduction causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. The amount of the deduction is indeterminable. Total local revenues would not be affected, except that the revenue in rate-controlled funds would be reduced.

State Agencies Affected: DLGF, State Fair, and State Forestry.

**Local Agencies Affected:** All..

**Information Sources:** Michael Hancock, Fertilizer Administrator, State Chemist's Office, 765-494-1547.

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SB 412+ 2